ISSN0387-835X

The Bulletin of the
Institute of Social Sciences
Meiji University, Vol. 11, No. 2, 1988.

CONTEMPORARY CAPITALISM AND 'MANAGERIAL CONTROL' – A REVIEW OF SOME CRITICISMS OF THE THEORY OF 'MANAGERIAL CONTROL' IN JAPAN

Tsuneo Mori
Professor
School of Business Administration
Meiji University

1. Introduction

The question of the so called 'managerial control', through an almost complete separation of share ownership from management, has been argued very widely in relation to major corporations in the advanced capitalist countries since the survey on the structure of share ownership in big American industrial corporations undertaken at the end of 1920s by A.A. Berle and G.C. Means (1932).

Today, the theory of 'managerial control' might well be underpinned most forcefully by the structure of share ownership in big Japanese industrial and financial corporations. Hiroshi Okumura (1983) characterized this structure as 'corporate capitalism', in which most major corporations own their shares mutually, forming some groups called 'Kigyoshudan' in Japanese. In Japan, the proportion of shares owned by private individuals in all shares issued by quoted corporations rose steeply immediately after the end of the World War II due to the 'democratisation of share ownerships' – the breaking up of 'Zaibatsu's (the giant family combines which ruled the pre-war Japanese economy). But this proportion soon began to decline, and that declining tendency still continues. The level of individual share ownership was 60% in 1950 and 23.6% in 1986 (Fiscal Year). The financial institutions and industrial corporations have become major shareholders for one another, in place of individual big shareholders. The latter have almost completely lost their direct influence over the directors of corporations. The directors hold the controlling power in their corporations. Their shareholdings, if they have any, are very tiny compared to all the shares issued. The basis of their control, the advocates of 'managerial control' insist, is not their shareholdings but their ability to manage corporations. There exists 'control without property'. Some advocates go so far as to say Japan is no longer a capitalist country but a 'decapitalist' country which means a society without capitalists. Pursuit of profit is no longer the supreme and exclusive aim for directors. Making profit is just one of their social responsibilities they should carry out. Faced with a bad financial position in their corporation, they would rather cut dividend to shareholders than cut the wages of workers.

Many criticisms have been levelled against these views of 'managerial control'. Their common thread is that the apparent managerial control is never actually independent of capital's demand for augmenting its value; directors are ultimately nothing but agents of capital, which moves incessantly to increase itself. They have to resign, or are discharged unless they can make an adequate profit and satisfy capital's demand of self-augmentation. It may even be said that the director's standpoint of having the apparent control over their corporation but not having property enables them to pursue profit even more purely in accordance with capital's rationality. Instead of behaving from a socially broader standpoint, with profit-making as a secondary aim, they are nothing but genuine personification of capital, free from the influence of the capricious self-wills of individual capitalists.

Beyond this common thread, however, the arguments of the critics of the theory of 'managerial control' differ much among themselves. We can find three types. The first is the theory of the 'corporation in itself' which insists that a corporation owns its assets, by itself, as a body corporate, and that directors are simply agents or bearers of a corporation's (or capital's) will. So, control by directors is based on the property of a 'corporation in itself' and it is not without a base in property. The second theory is the 'behavioural approach', which claims that it is the very capitalist activity which turns assets into capital and that the theoretical starting point should be in capitalist activity. The capitalist activity posits ownership of capital and a capitalist. The third theory is the claim that the starting point of the whole movement of the capitalist economy is to be found in capital itself, and a capitalist is only a 'personification of capital' or an embodiment of capital's will.

I will now examine these three types of criticisms of the theory of 'managerial control' and try to propose my own thoughts about this issue.

2. The theory of the 'corporation in itself'

Isamu Kitahara (1986) argues this theory very strongly and fully in his voluminous book. He says that 'corporation in itself' is a new key concept which is necessary to analyse the present conditions of capitalism in which no private individuals have controlling power over big corporations through large personal shareholdings. A 'corporation in itself' is a legal subject directly owning real capital, and an acting economic subject having a controlling power over the business based on its property. Private shareholders, on the other hand, are indirectly capital-owning subjects. 'In the present monopolistic giant corporations, there have fully developed duplication and splitting of ownership of real capital into an indirect ownership by private shareholders and a direct one by the "corporation in itself" ' (Kitahara, 1986, p. 18), which is logically based on certain features of a corporation, one of which is the free transferability of shares. Another feature is the limited liability of shareholders, making transfers of shares easier. These features make large-scale combinations of capital possible. In return for this transferability, shareholders are not permitted directly to withdraw their investments in shares from the corporation. The fundamental difference between a corporation and a general partnership or a limited partnership lies in this point, which makes a corporation a going concern meeting the need of endlessly self-expanding capital. This impossibility for shareholders to recover their investments directly from the corporation means they lose the direct ownership of capital, which belongs to the 'corporation in itself' (Kitahara, 1986, p. 91). Thus, the free transferability of shares involves the indirectness of shareholders' property. A corporation, a subject owning combined capital, indulges itself in making the assets move as capital for augmenting the value. A corporation may be said to be the most capitalist-like capitalist, a 'personification of capital' (Kitahara, 1986, p. 101).

However it is not that Kitahara denies the signficance of private ownership of shares at all. He says 'the power inherent in privately owned shares is never nil, though all but nil' (Kitahara, 1986, p. 101). 'The very possibility for the power latent in shares to become actualised' restricts policies adopted by the directors. A corporation is only a combination of pieces of capital offered by private individuals, and only a private existence pursuing the common interests of the combined capital, however social the ownership of a corporation's shares becomes (Kitahara, 1986, p. 117). Directors can remain in their posts so long as they carry out their duty to increase the assets and to divide some part of the increment to shareholders. The directors' controlling powers are conferred by 'capital combined in a corporation' as a 'private existence'. They are agents exercising the controlling power on behalf of the corporation which cannot make its own mind or judgements. It is 'share-ownership as a whole' or 'shareholders (in general)' that inspires the 'capitalist's soul or will' into a corporation (Kitahara, 1986, pp. 118–119). Thus Kitahara stresses that 'control by professional managers' never means that 'property has become nominal or that they have grasped the controlling function which originally belonged to property' (Kitahara, 1986, pp. 181, 192).

Teruhisa Uetake (1984) offers an argument which is similar to Kitahara's, but more positive. He says that limited libability is admitted to shareholders in return for an abandonment of their will to take part in the management of a corporation. The limited liability of shareholders means their indirect relation to the creditors of a corporation, and the 'corporation in itself' faces the creditors directly as a body corporate having the real capital represented by assets. The unified intentions of a corporation as a single independent capital are formed by specialised organs – a general assembly of shareholders, a board of directors and auditors – who crystallise the interests of the shareholders as a totality, the whole body of shareholders. In this sense, the organs represent the 'will' of capital (Uetake, 1984, pp. 42, 106). A corporation, as a purely legal body, cannot be a decision-making subject, so directors appear as bearers of its decision-making process and so contribute to augmenting the value of capital. This is a 'highly festishistic and inverted phenomenon in which a "corporation in itself" is a subject of property and the human beings (directors) serve the corporation, a product of human activity, as agents of its will' (Uetake, 1984, p. 120).

Takashi Mori (1985) discusses a 'corporation in itself' as an owner of capital with his unique concept of 'combined capital'. He, too, claims that full admission of limited liability to shareholders means their indirect relation to the corporation's creditors (Mori, 1985, pp. 128–129). Here a corporation establishes itself as an independent personality, to which shareholders have the obligation to provide money capital and the right to call for payments of dividend. He also insists that a corporation is not a simple gathering of separable pieces of capital, like a general partnership or a limited partnership, but is a company form of the 'direct combination of capital' of private individuals. It is 'socialized capital'. A 'combined capitalist or personification of combined capital must be a "corporation in itself" (a body corporate), not a natural person, which appears for the present as an owner of real capital' (Mori, 1985, pp. 95, 155–56).

On the other hand, he insists that a corporation is a kind of legal fiction. It is an owner of real capital as a combined capitalist, behind which there really exist natural persons, a group of owners. The wider the group becomes, the more objective the existence of a corporation becomes (Mori, 1985, pp. 259–160). A 'combined capitalist' can be said to be a 'corporation in itself', but more essentially to be a group of investors in shares. (Mori, 1985, p. 160).

'The investors are in the relation of common ownership of real capital to one another'. 'Common ownership' means that they cannot freely deal with their own parts of real capital but 'hold the capital as an objective totality', and they can act 'as private owners' only 'in the phase of the movements of fictious capital'. 'The ownership of real capital by a 'corporation in itself' has to be said to be a fiction necessary for such a combined capital to be included in a society with the principle of private property' (Mori, 1985, pp. 160–161). A corporation, a body corporate, must compete, as a fictious private capitalist owning combined capital, with very numerous private and uncombined capitals (sole enterprises) (Mori, 1985, p. 165). Takashi Mori criticises the theory of 'managerial control' based on the above arguments. He defines directors as bearers of the movements of commonly owned capital, because a corporation is a legal personality without its own mind. Shareholders expect that directors, as professional managers, are pure pursuers of profit, carriers of M–C–M', excluding 'abuses of rights of big shareholders'. Unless directors can meet these expectations, they will be discharged. Thus, they are capitalists too, and members of a capitalist class along with the owners and rulers of sole enterprises. Besides, directors of big corporations rule the entire structure of the capitalist class (Mori, 1985, pp. 186–188). Takashi Mori emphasises that the arguments, going so far as to say 'de-capitalism' from the theory of 'managerial control', are the most primitive among the claims of the separation of property from management (Mori, 1985, p. 174).

Okumura proposes a theory of 'directors' control based on their corporation's share-ownership in other corporations' (Okumura, 1983, p. 84) which is different from the above three propositions of the 'corporation in itself'. He pays attention to the groupings of big corporations through their mutual shareholdings in Japan, which are Kigyoshudans. Corporation A, for example, possesses some of the shares of corporations B and C. Corporation B owns some of the shares of corporations A and C, and corporation C does likewise. The directors of A and B can influence C through their corporations' ownership of C's shares, and so on. This means the 'mutual control by the directors of the three corporations'. Those corporations form one group called a Kigyoshudan. The point here is that it is to B or C, not to A that the directors of A can exercise their influence. In this way they are personified expressions of the 'corporation in itself' (Okumura, 1983, p. 34; 1986, p. 77). Okumura criticises Kitahara's and others' theories of the 'corporation in itself', claiming 'the concept of the "corporation in itself" walks around alone as if it were a magic wand' (Okumura, 1983, p. 45). He also criticises the theory of 'managerial control', saying the ground on which one can control a corporation cannot be anything but share-ownership. But, according to Okumura's view, directors make decisions on behalf of their corporation, a body corporate, which is devoid of mental capacity. His proposition of the mutual control of the directors, as the representatives of their corporations, therefore leads to a theory of mutual 'managerial control'. He says that mutual control means mutual trust, based on which they have the controlling powers over their corporations (Okumura, 1983, p. 152; 1986, pp. 76–78).

Such mutual control is bound to result in managerial control, I think. And besides, Okumura's theory has some vagueness. He argues that, on the one hand, directors represent not shareholders but their corporation, but that, on the other hand, they carry out the functions of capital on its behalf (Okumura, 1983, p. 155). He does not explain why a corporation has the functions of capital. If directors carry out the functions of capital on its behalf, they are nothing but personification of capital and the case is contradictory to his previous argument about directors' mutual control on the basis of their corporations' mutual possessions of shares.

3. The 'behavioural approach'

Hiroshi Matsuo (1987) and Yukio Arii (1981) criticise both the theory of 'managerial control' and that of 'corporation in itself' from opposite points of view. At first I will examine Matsuo's theory. The key phrase for him is 'Im Anfang war die Tat' (Marx, 1962, I, S. 101). The starting point of his theory is capitalist activity to buy cheaper and sell higher. This activity generates the notion in the acting person that the objects of activity are his own, and not the reverse (Matsuo, 1987, pp. 3–5). According to Matsuo, a capitalist is rather a subject of capitalist activity, a subject of business management than an owner of capital. Directors, as capitalist actors, are the very capitalists and they are not simply neutral technocrats. Capitalist activity makes its objects into capital. (Matsuo, 1987, pp. 163, 173, 223).

Matsuo says that the theory of the 'corporation in itself' is obsessed by the idea that the concept of capital must be based on property (Matsuo, 1987, p. 53). He contends that Marx's division of profit into interest and entrepreneur's profit is also wrong, because it is nonesense to consider an owner of capital giving one part of his profit as 'interest' to himself as an owner of capital and the other part as entrepreneur's 'profit' to himself as an administrator of capital (Matsuo, 1987, pp. 83–84). I think his arguments are right on this point.

Matsuo criticises Kitahara as follows. Kitahara's concept of 'corporation in itself' is a very strange new one. (Matsuo, 1987, p. 31). It is unreasonable for him to say that a 'corporation in itself', having a controlling power as a capital owner, cannot exercise its power by itself. This criticism can also be applied to Uetake's and Takashi Mori's ideas, though Mori is more cautious in proposing the concept, saying that the concept of the 'corporation in itself' is a fiction because a body corporate has no will.

Matsuo also criticises the theory of 'capital as subject'. According to Matsuo, Marx's idea that a capitalist is a 'personification of capital' is antique-looking fundamental thesis of Marxian economics (Matsuo, 1987, p. 158). Now I will turn to Arii's theory.

4. The theory of 'capital as subject'

Arii's arguments are evolved from and thoroughly based on Marx's descriptions, though he places some very unique interpretations on them. Arii claims that Marx's arguments (Marx, 1962, III, S. 452–53) have often been neglected or treated in a dubious way on the pretext that they reflected historical limitations of Marx himself. Marx's arguments was that a corporation 'is the abolition of capital as private property within the limits of the capitalist mode of production itself; the profit, which is received 'only in the form of interest' by 'simple owners of capital, simple money-capitalists', originates in the 'antithesis of the means of production as others' property against all individuals actually engaged in production, from the managers down to the last day-labourers'; 'this result of the highest development of capitalist production is a necessary point of transition (Durchgangspunkt) to reconversion of capital into property of producers, ... as property of them as associated producers, as immediately social property' (Marx, 1962, III, S. 452– 453).

Arii completely accepts these arguments of Marx and insists that they were necessary results of the development of Marx's theory of capital and property and depicted the contents of managerial control. The insistence of the necessity of managerial control, following Marx's arguments, never means an appraise of capitalism and he claims that its contents criticise its form (Arii, 1981, p. 67). Though Arii's descriptions are so hard for me to understand, I will try to trace them as summarily as possible.

Citing some paragraphs of Marx's *Grundrisse* and *Das Kapital*, Arii says that a capitalist is fundamentally defined as the 'personification of capital'. The starting point of his theory about commodity circulation is commodity exchange itself conceptually without presupposition of Mensch, Person, Besitz or Eigentümer. There exist commodities at first and then commodity owners (Warenbesitzer [Nicht-Eigentümer] – Arii) or commodity guardians must be sought, who have to place themselves in relation to one another as persons whose wills reside in those objects (Marx, 1962, I, S. 99; Arii, 1981, 1, p. 80). '*The legal relations or relations of wills*' in commodity exchanges posit the 'person' of commodity owners (Arii's emphasis). Commodity owners are personifications of social relations of commodities, so to speak (Arii, 1981, p. 83).

Proceeding to 'The Transformation of Money into Capital' in *Das Kapital*, free owners only of labour power, and owners of living means and means of production (money owners) 'meet in the market and are related to each other as equal commodity owners' (Marx, 1962, I, S. 182). After the analysis of the process of surplus-value production, 'workers, as owners of labour power, face money-owners, as *capitalists*, in the continuous and socially broadening process of capital accumulation' (Arii's emphasis). Here occurs the conversion of the law of property that characterises the production of commodities into the law of capitalist appropriation (Arii, 1981, 1, pp. 84–85), that is, conversion of property founded on the owner's own labour into the right of acquisition of others' labour, unpaid labour. The right of acquisition of unpaid labour, surplus-value, is the essential definition of capitalistic property. 'The general definition of *capitalistic property*' is 'the personality and property posited by antagonism between live labour and conditions to realize it'. 'That appears as *capitalist property*, meaning the right of appropriation of surplus-value, in the theoretical phase of capital accumulation (Arii's emphasis) (Arii, 1981, p. 91). Here, capitalists are owners of surplus-value and thus 'only a driving wheel for the conversion of this surplus-value into additional capital' (Marx, 1962, I, S. 559). Arii argues that they are just 'a point of transition' for surplus-value to be converted into capital, which is forced by competition*.

His arguments go further. While the purpose of capital's production is not the production of use-value, but the vicious and endless augmentation of value (Arii, 1981, 2, p. 60), the same process is that of the expansion of social production too. 'The self-realisation of capital as social production accompanies the exclusion of capitalists from the real productive process of capital', the way of which is 'the division of capitalists into money-capitalists and functioning capitalists' or 'the separation of property from function'. This means that industrial capital derives one 'relation of production', that is interest-bearing capital, from itself, and the relation 'posits both money-capitalists and functioning capitalists' (Arii, 1981, 1, p. 88). Money-capitalists are interest-receiving 'simple owners of capital' (Marx, 1962, S. 388), which is a commodity 'with the use-value of producing profit'. The capital, lent to functioning capitalists bestows on its owners the 'claim to appropriate others' labour' (Marx, 1962, III, S. 355). Money-capitalists, irrespective of the process of production, represent capital-property as such expressing that material wealth is opposed to labour as wage-labour (Marx, 1962, III, S. 368). Arii calls money-capitalists *capitalistic property* and functioning capitalists *capitalist property*. Both are products of the split of industrial capitalists, who embodied capitalist property as well as capitalistic property (Arii, 1981, 2, pp. 88–93).

The splitting process goes further. While an 'act of will' to transform surplus-value into capital was once carried out by functioning capitalists as 'personifications of capital', 'This managing labour as a function', that is, 'purposive consumption, real consumption of productive factors, including labour-power', can be carried out by natural persons as 'a specific kind of wage-workers', not as persons of capitalists. Their acts as a fact are recognized legally as 'acts of will' by 'functioning capitalists' (Arii, 1981, 1, p. 94).

'The separation of property from function' in a corporation is the second way in which the exclusion of capitalists from the real process of capital accumulation is achieved. Arii says that shareholders' property is qualified in the same way as the simple property of money-capitalists, and the dividend given to them is regarded the same as interest, though they are 'private owners as such being unable to be abolished by capital' and are indispensable factors representing that means of production, the corporation's capital, is others' property to workers. Personification of the corporation's capital, which is productive system, is a body corporate. And acts of will, through which the productive system becomes the movement of capital accumulation, are acts of managing excutives (Arii, 1981, 2, pp. 52–58).

Arii claims that 'the aim of a corporation is not to distribute profit to shareholders but to mediate the self-augmenting movement of combined capital. Dividend is not profit but a fruit of "simple property" representing relations of capital as such, the interest or "capital cost", that is a necessary evil. The will of *a corporation ... is given by capital.* So an organ for decision-making (an assembly of shareholders – the writer) is essentially needless, and only managing executives are necessary (my emphasis). The managing executives are forced by competition to continue the reasonable movement based on the concept of capital. In effect, 'capitalists (including a body corporate – the writer) are not rulers of capital but a personification of capital' (Arii, 1981, 2, pp. 58, 60).

Thus, even workers are able to occupy the managing executive and so managerial control is necessary. But 'their acts ... are not their own acts socially, but ones of the corporation's will as such mediating capital accumulation' (Arii, 1981, 2, p. 63). 'Managerial control' is the 'abolition of capital as private property within the limit of the capitalist mode of production as such'. 'Managerial control' realises the content of workers' control, the self-administration of workers as social labour and social production. The content, however, is mediated by the antagonistic form of capitalism to the last (Arii, 1981, 2, pp. 66–67). 'We should not face the modernistic managerial control ideologically, but by Marx's arguments of "a point of transition" ('Durchgangspunkt')'. We should propose the necessity of seeking the form of society corresponding to the content of managerial control (Arii, 1981, 2, pp. 70–71).

Arii appreciates as a completely correct recognition Kitahara's claim that the ownership of real capital by a 'corporation in itself' must be distinguished from indirect ownership by shareholders. But he criticises Kitahara for a wrongly recognising private property in the means of production as the prerequisite of capitalist production (Arii, 1981, 2, p. 67).

5. Critical review on the above theories

The other criticisms of 'managerial control' than theory of the 'corporation in itself' criticise about the latter that the idea leads to arguing that what a 'corporation in itself' owns is the 'corporation in itself' (capital), or that it is a subject of decision-making which has neither the will nor the ability to do so. This criticism, of course, is quite right. According to Kitahara and Uetake, directors are agents who carry out the will of a 'corporation in itself' on its behalf, whereas the corporation itself has no will. That is a quite simple contradiction, but a central point on the criticism of the theory. As to this point, Takashi Mori rightly claims that a body corporate is only a legal fiction and has no substance.

A body corporate is originally a technical and legal means which enables a corporation as such to sue or to be sued in its own name as a collective body. A corporation, a body corporate, owns the assets, that is capital, and shareholders provide money-capital to it with limited liability and the right to trade their shares freely. The more these relations have developed, the wider the separation of property from management becomes. It is not unnatural that the corporation should have appeared as more autonomous and independent, giving rise to the legal theory of the 'enterprise in itself' ('Unternehmung an sich'), which has been especially popular in Germany since the late 1920s. But it is unnecessary to emphasise that directors, in representing their corporation, exercise their own will and that their acts are legally recognized as acts of their corporation. It is not that there exists a corporation's will before its directors' will. And it is the shareholders' will that defines or influences directors' acts. In other words, it is by private property that directors are bound to behave themselves as a 'driving wheel' for capital accumulation.

The separation of property from management may be inherent in a developed corporation as it collects money from the wide and varied social layers, who, we may say, invest in corporations precisely because their property is separable from management. It is, nevertheless, incorrect to argue that shareholders are simple owners of capital or pure money-capitalists, as Marx and Hilferding did. The share is a divided unit of real capital which is owned legally by a corporation, a body corporate. The share embodies rights of capital-owners including the right to direct management through voting rights in a shareholders' assembly. If shareholders should be literally pure money-capitalists, just like money-lenders, there can exist no control through shareholdings and so no 'corporate capitalism' (the directors' mutual control through the mutual shareholdings among the big corporations) of the kind depicted by Okumura.

By the way, the theory of the 'corporation in itself' criticises the theory of 'managerial control' on the grounds that directors control a corporation not without property but on the basis of the property of their 'corporation in itself' (although Okumura's insistence on control through property is a different argument from this as shown above). The object of property by a 'corporation in itself' is of course capital. However, it must be asked why the objects owned by a corporation become *capital*, when shareholders, private owners of shares, are only indirectly related to real capital or severed from real capital. Uetake plainly regards a 'corporation in itself' as an independent being of corporation's capital and he argues that directors are servants of capital. According to him, the appearance that directors are independent is only relative, corresponding to a corporation being independent (Uetake, 1984, p. 154). His view leads to the queer conclusion that a 'corporation in itself', namely the independent being of corporation's capital, owns capital – capital owns capital.

On the other hand, Kitahara and Takashi Mori argue that the ground, on which the objects owned by a 'corporation in itself' become capital, lies in the existence of shareholders. Kitahara says that 'share-ownership as a whole' or 'shareholders (in general)' inspires 'the capitalist's soul or will' into a corporation, meaning that what makes the corporation's assets 'capital' is the existence of 'shareholders (in general)', which, he seems to argue, is why the property of a 'corporation in itself' cannot be free from its private character. Such arguments by Kitahara deny, I think, his own idea of a 'corporation in itself' as an independent existence. Takashi Mori claims the significance of shareholders as private owners more positively. As already seen, a 'corporation in itself' is a fiction and may be said to be a 'group of investors', and the latter is 'the more essential expression'. The ground on which a 'corporation in itself' can be an owner of 'combined *capital*' lies in the fact that a 'corporation in itself' is a direct combine of the capital of private persons (my emphasis). But it is dubious whether his ideas of the 'corporation in itself' and combined capitalists (the former is a fiction) are not contradictory to each other.

Then, how about Matsuo's and Arii's theories? I think there are irrationalities in the arguments of the 'behavioural approach' and the 'capital as subject'.

Matsuo sets 'capitalist activity' in the first place and thereafter posits concepts of capitalist and capital. That is a very curious usages of concepts. Capitalist activity is nothing but the activity which a capitalist does and the activity which make money or products move as capital. Matsuo claims that capitalist activity generates a notion of possession and posits capital, and subject of such activity is a capitalist, so directors, managing subjects of the activity in a modern corporation, are the very capitalists. He thinks it is outmoded to argue that a capitalist is the 'personification of capital' or that capital is self-augmenting value. But is the idea that a capitalist is a subject doing capitalist activity, different from the idea that a capitalist is the 'personification of capital'? It is thought that both are substantially the same. He stresses that capital cannot move by itself, which leads to a criticism of Arii's arguments. Matsuo insists that capital movement is preconditioned by the capitalist's positive and subjective activity. The desire to make money, the root of the activity, is defined by an instinct or soul of the continuous expansion of capitalist activity (Matsuo, 1987, pp. 91, 177). If that instinct or soul should belong to human beings in general, as Matsuo insists, all the persons could be said to become capitalists at any time. Persons, however, cannot be capitalists without the appropriate historical conditions, even if they have such an instinct or soul by nature. Matsuo's behavioural approach is founded on Marx's sentence 'Im Anfang war die Tat' in Chapter II Exchange, *Das Kapital* Vol. I. Marx wrote 'Laws of commodities proved themselves in the natural instinct of commodity possessors' following that sentence (Marx, 1962, I, S. 101). Here the commodity-possessors did 'die Tat' instinctively as the 'personification of a commodity', not as a person in general. Persons become commodity-possessors only by virtue of the social relations that give them goods which are not use-values but *value* for them. The goods which are mere use-values for their possessors are not commodities.

We can use the same reasoning about Matsuo's idea of capitalist activity. The soul defining capitalist activity is posited only in the social relations that all the people in a society of fully developed commodity economy face to one another as commodity-possessors, including possessors of labour power. According to him, although a corporation is a combine of capitalists as investors, there appears a division into capitalists as managing subjects (directors) without the moment of property, and investors as non-managing subjects. Profits are divided into the entrepreneur's rewards of the former and the dividends of the latter (Matsuo, 1987, pp. 161, 232). These arguments are very difficult for us to understand because they are very close to Marx's view of division of profit into interest and entrepreneur's profit, which Matsuo has rejected emphatically. He says that capitalist activity generates a notion of possessing capital. Then do the active subjects (directors) have a notion of capital-possessors? The answer is clearly no. And one who possesses the majority of the shares of a corporation can control it, even if he is not a director, namely an active subject. That is because share embody not only *the right to get a dividend* but *the right to vote* in a shareholders' assembly as units of ownership of capital. He explains this in another way. It arises because the rights of shareholders, as social norms constraining the acts of members of a society, are recognized apart from the notion of possession. This enigmatic explanation exposes irrationality of the 'behavioural approach', neglecting the historical social relations.

While Matsuo cuts off shareholders as non-managing subjects from directors and real capital, Arii contrastively separates shareholders as simple owners of capital from real capital based on his theory that capitalists equal the personification of capital. According to Arii's case, the ownership of shareholders is qualitatively the same as the ownership of money-capitalists, and dividends are the same as interest. On the other hand, Arii argues that shareholders are the very owners ('otherness of objective conditions of labour to live labour') and never separable from their capital, which is pre-conditioned by the existence of private property (Arii, 1981, 2, pp. 57–58). If so, it means that shareholders possess objective conditions of labour which are nothing but the corporation's capital. It is indeed unnecessary to say that shareholders possess various amounts of real capital, not directly but indirectly through the medium of the unified property of a corporation as a body corporate. 'Indirectly' never means the separation of them from the real capital. Arii, however, denies this relation of shareholders to real capital. Although he sees typical examples of fully developed corporations in the core corporations of the six big groups in Japan (Kigyoshudans) (Arii, 1981, 2, p. 65), these groups should not exist following his argument, because he claims that shareholders are the same as simple money-capitalists. This criticism of Arii can also be applied to the theory of the 'corporation in itself'.

Arii claims that personality, possession and act of will, which were once combined into a private capitalist, are now separate from one another: as a body corporate, a shareholders who is a natural person, and a managing executive in a corporation. Shareholders' ownership is not that of real capital but symbolises that real capital or objective labour conditions are possessed by others unrelated to sellers of labour power. A body corporate, a 'corporation in itself', possesses real capital, but only as a 'personification' of it or a legal right, unaccompanied by a ruling power. It is the executive staff that makes use of the right and performs acts of will, although their acts are performed not as those of natural persons, but as those of a 'corporation in iteself' and the will of a corporation is conferred by capital.

Arii's statement of the theory is very hard for us to follow, but the main context seems rather clear. The subject in a capitalist society is capital, natural persons and institutions are of significance only as 'personifications of capital' and, to that extent, directors, who are workers sitting in an executive room, are treated the same as private capitalists who are managers as well as owners of capital. Arii emphasises capitalists are fundamentally defined as 'personification of capital'. Private capitalists, money-capitalists and shareholders are treated the same because they are all only symbolic existences, showing that objective labour conditions are others' to sellers of labour power. Capital as such posits capitalist activity, contrary to Matsuo's arguments, which may not necessarily be undertaken by a capitalist, but may be carried out by the other natural person, as a personification of capital.

But is it rightly said that in the beginning there was capital (Im Anfang war das Kapital)? Arii's theory starts from the relations of production as a 'fact' which are the opposition between live labour and the objective conditions for realising it. I think the opposition takes place only where the objective conditions are under the private possession of others than the sellers of labour power whose use-value is live labour. Arii quotes some descriptions in *Das Kapital* on 'personification of capital', but those descriptions are thought to have expressed that capitalists or private owners (including people only with labour power to sell) were treated only as personification of economic social relations there. They corresponded to Marx's theoretical method that he 'understood the developments of the economic social formation as a natural-historical process' (Marx, 1962, I, S. 16). It is thought to be the basic assumption of his theory that private persons are bound to act only as bearers of the capitalist social relations of production surrounding them. We should suppose that capitalists, as natural persons, embody only desires to enrich themselves, to augment the value of capital as a 'driving-wheel' of capital accumulation and so to behave themselves as 'personification of capital' on the stage of economic theory. In Chapter 4 The Transformation of Money into Capital, arguing about M–C–M that it seems aimless as well as absurd to exchange the same against the same in a round about way (Marx, 1962, I, S. 165), Marx claimed that 'the process M–C–M owes its content ······only to their quantitative differences' and so M–C–M must be M–C–M' where there is surplus-value and the transformation of money into capital. He said 'the movement of capital was endless' because both ends of M–C–M have the same quality and are distinguished from each other only in quantity. 'Money-owners become capitalists as conscious bearers of the movement', and 'only so far as the growing acquisition of abstract wealth is the sole driving motive of their operations, they function as capitalists or as capital being personified and endowed with will and consciousness' (Marx, 1962, I, S. 167–8). These arguments of Marx assumed that money-owners thought that M–C–M is a purposeless movement, or that they were natural persons having only the desire to enrich themselves.

But if we regard M–C–M or M–C•••••P••••C–M not only as a movement of value but as a process necessary for the social distribution of products or social reproduction, then both ends having the same quantities means no purposelessness. The movement is not necessarily 'vicious and endless augmentation of value', as Arii says. It is under capitalist private property that the movement with both ends having the same quantity is thought purposeless. In public enterprises in a capitalist country and in socialist enterprises, the movement of M–C–M or M–C••••P••••C–M exists, with labour power being traded as a commodity between workers and enterprises. One of the main purposes of the enterprises is to provide publicly indispensable goods and services cheaply, even without making profit, though any society must make surplus-products in some areas, which are absolutely needed for socially useful activities not bearing surplus by themselves, the expansion of social reproduction and so on.

Arii says that the shareholders of a corporation are 'the very private owners unable to be abolished by capital' or 'indispensable others' (to workers – the writer) (Arii, 1981, 2, p. 57), while he claims private property is 'simple property of capital' and qualitatively the same as a 'money-capitalist'. He neglects the other aspect of a share embodying a voting right which represents ownership of a part of capital.

Arii argues that the present phenomenon of managerial control means that 'it realizes the substance of the exclusion of capitalists from productive processes, that is to say, workers' control of social labour as social production as such or self-control by workers' 'in the capitalistic form', while the 'substance is mediated by the antagonistic capitalistic form to the last' (Arii, 1981, 2, pp. 66–67). But this antagonism, I think, must not be said to be 'the opposition of means of production as others' property against every individual •••• from managers down to day-labourers', and we should say that the antagonism lies between both shareholders and workers (i.e. directors), who direct production and exploit the other group of workers as bearers of the will of a corporation (Arii, 1981, 2, p. 63), and the latter who are exploited. When shareholders, capital-owners, play this definite part in generating the antagonistic 'capitalistic' form, it is clear that shareholders are more than simple 'money-capitalists'.

6. Conclusions

My arguments in this article can be summarised as follows:

(1) Shareholders of a corporation are Janus-faced. One facet is the one of simple receivers of dividends or pursuers of share price differences (capital gains) and the other is the one of owners having shares in real capital, voting rights.

(2) The theories of the 'corporation in itself', the 'behavioural approach' and 'capital as subject' all ignore the second facet of shareholders, and regard them one-sidedly as separated or excluded from propety in real capital or management.

(3) Both Matsuo's 'behavioural approach' and Arii's theory of 'capital as subject' neglect the prerequisite of capitalist social relations of production or capitalist relations of property of means of production or the private ownership of means of production by others than wage workers.

(4) As long as shareholders are only simple money-capitalists and are excluded completely from the management of a corporation, there can be no control through majority shareholdings, so no Kigyoshudan, which of course is an erroneous argument.

(5) Both Kitahara and others, and Arii are eventually bound to place upon shareholders as private proprietors the basis on which corporations or directors legally and publicly representing them are 'personifications of capital.'

(6) There is a contradiction between Arii's arguments that workers as such exploit a group of workers, and his arguments that the substance of workers' self-control is realized because the means of production as the property of others are opposed against all individuals from managers down to day-labourers. Thus, private property still remains the basis on which a most critical and real problem of property and control in the contemporary corporation is considered.

It is a fact that shareholders as private persons are declining relatively and that corporate shareholders' weight is overwhelmingly increasing, which is particularly conspicuous phenomenon in Japan. This is the situation named 'corporate capitalism' by Okumura. If individual shareholders as natural persons represent private property, one may say that the direct influence of private property on the management of a corporation is lost definitely. Nevertheless, I still insist that it is by private property that capital is made capital, for the following reasons. (1) Directors seem to be independent of private property, and a neutral technocracy selfconscious of their social responsibility, as the theory of 'managerial control' says, but they cannot, in effect, deal with dividends as costs nor neglect shareholders' concern about share prices. In Japan, we have seen yields of shares radically lower, which is the so called 'yield revolution'. This phenomenon has taken place in parallel with the declining proportion of private individual shareholdings in shares issued which followed the steep, temporary increase in individual shareholders immediately after the breaking up of the giant family combines. Whereas one of the main factors of 'the yield revolution' is the fall in the dividend propensity (payout ratio), another more important factor is the fantastic rise in share prices. It has often been argued that the fall of the dividend propensity reflects the shareholders' loss of influence in a corporation – managerial control at the expense of their interests. But shareholders are fully rewarded through soaring share prices, in return for a low dividend propensity. Why the 'yield revolution' has happened is still problematic, but we may say that high share prices reflect the fact that shares embody not only the right to receive dividend but represent possession of some parts of real capital (a corporation's net assets). Share prices are boosted not only by the mutual shareholdings of big corporations, but by the increase in the real capital of a corporation (i.e., price/book-value ratio). The latter is achieved by the increased rate of ploughing back profits, which is the other side of lowered dividend propensity, the active depreciation policy squeezing the profits and the inflow of capital gains through high current price issues of shares. The difference between the nominal value of capital and the present value of net assets widens, and it makes deliveries of gratis shares possible, whose expectations also boost share prcices. Such increases in the current value of shares as units of possession of real capital are reflected by share prices, though they are very speculative because a part of the increasing current value of net assets is soaring share prices themselves, which augment the value of the net assets of a corporation which holds other corporations' shares. Soaring share prices as such increase the assets (investments) value through the mutual shareholdings of big corporations. Such movements of share prices also are based on the movements of interest rates and it is noteworthy that there has been no 'yield revolution' in bonds or preferred stocks.

(2) While the 'yield revolution' is largely enjoyed by corporate shareholders as well as private shareholders, it should be noted that corporate shareholders consist of industrial corporations and financial institutions, the latter of which have constantly increased their shareholdings more rapidly than the former. Individual private funds are thought to have been deposited in financial institutions on much larger scale than they have been invested in shares. Okumura insists that while American institutions have an investor-like character, Japanese ones tend to be concerned with control and with acting as the cores of the groups of big corporations (Okumura, 1983, pp. 63–66). But even if this is so, competition among Japanese institutions necessarily forces them to seek an increase in the value of the securities held by them. Behind that competition, there exist private individuals' desires to enrich themselves whose idle funds are

invested or deposited into the institutions. The private shareholders of industrial corporations will seek the same. Thus, it is the private holders, in general, of idle funds, including the private shareholders, that make corporate assets into capital, that is self-augmenting value. Although it cannot be said that they make directors the 'personifications of capital' by directly controlling them, the very existence of private funds-holders, whose funds are invested into corporations directly or indirectly, is the most basic factor in driving directors to act as 'personifications of capital'. The contemporary corporations have radically changed their characters from ones which were once ruled by big private shareholders. This change may make it possible for directors to have a wider point of view than profit-seeking. But it is a way for directors, as defenders of the interests of capital, to correspond to the situation that contemporary capitalism has been bound to be a welfare state because of the increasing political influence of the working class.

(3) What is important, is that the conditions for making corporate assets into capital are not private property in general but the social relations of private property through which corporations compete with one another in a commodity economy based on labour power as a commodity. And it can be argued only on the assumption of the desire for enrichment inherent in private property that competition compels capitalist enterprises to accumulate capital endlessly. That is why public enterprises, based on the purchase of labour power but lacking the private desire for enrichment, are often criticised as inefficient, in spite of their competition with private corporations. Introducing the profit-motive into socialist enterprises or the privatization of public enterprises is aimed at securing efficiency like private corporations with the desire for enrichment characteristic of private property. That is the policy which draws public enterprises close to capitalist or which makes them capitalist completely.

By the way, there still is a critical problem to be explained. That is the question of why the rationality of capital is thoroughly pursued for its high accumulation in Japan, where managerial control is apparently the most throughgoing. There, directors are relatively free from private capitalists' (influencing private shareholders') capricious desires for enrichment. Takashi Mori says that the private interests of shareholders does not always coincide with the pursuit of the rationality of capital in general, and the powers of directors are strengthened for the latter against big private shareholders' abuses of their right. In this sense directors are 'pure pursuers of corporations' profit'. The advocates of the theory of 'managerial control' insist that the greater the distance of directors from private shareholders becomes, the more complete the independence of directors becomes. But, on the contrary, the wider the social circles investing their funds into shares directly or indirectly becomes, the more strongly are directors expected to pursue the rationality of capital movement socially.

Now, we have seen different ways to grasp the essence of the phenomenon of managerial control. It is beyond question that the problem is critical for understanding the historical location of contemporary capitalism. According to Marx's case of 'a point of transition', Arii claims workers' control as social labour, social production in themselves, or workers' self-control is realized substantially but in an antagonistic form. He advocates that we should not meet the modern theory of 'managerial control' ideologically, but we should propose pursuing a social form corresponding to the substance of managerial control. But can we say that the substance of workers' self-control is realized in contemporary capitalism? Is the substance not the exploitation of the group of workers by 'workers' (directors) for private property? Things to be changed are not only the form of private property but also the substance as such, which is a necessary product of private property.

Besides, contemporary corporations are based on the wider and wider private property of social idle funds, which means that the corporations acquire more of public character and managerial control acquires more of social character. In the consideration of the capitalism before the World War I, Kozo Uno showed that as finance capital (big corporations – the writer) mobilises social funds of wide layers, there occurs the illusion that finance capital can represent the national interest as long as its activities are kept within the normal range (for example, it abstain from excessively speculative activities) (Uno, 1971, pp. 189–90). That remark is applicable to the present situation where the pursuit of capital's rationality seems like a national theme. We may have to say that the antagonistic character of the present relations of production has been more social and latent. The way to overcome it may be a long and hard one rather than it being a mere 'point of transition'.

*Arii distinguishes between 'capitalistic' and 'capitalist' – like this: in 'capitalistic' relations the conditions (means of production) to realise live labour are owned by others than the owners of live labour (labour power). And the 'capitalistic' relations appear in the process of capital accumulation as 'capitalist' relations, in which the owners of means of production become *capitalists*, who appropriate surplus value – others' unpaid labour and are 'only a driving wheel' for the capital accumulation. Arii is thought to use the concept of 'capitalistic' on the more general and abstract level than that of 'capitalist'.

(I am grateful to Dr. J. Scott of Leicester University for looking through the manuscript and checking errors and improper expressions. Errors remaining in

the article, of course, are my own.)

List of works cited

Arii, Y. (1981), 'The views on the contemporary capitalist and Marx's theory of personality·property' 1, 2, (*Kinyu-keizai* [*Financial economy*], no. 187, April and no. 188, June).

Berle, A.A. and G.C. Means, (1932), *The modern corporation and private property,* The Macmillan Company.

Kitahara, I. (1986), *The property and decision-making in contemporary capitalism*, Iwanami Shoten.

Marx, K. (1962), *Das Kapital*, Dietz Verlag, Berlin.

Matsuo, H. (1987), *An economic theory of property and management,* Nagoya-daigaku Shuppankai.

Mori, T. (1985), *The corporation system,* Hokkaido-daigaku Tosho Kankoaki.

Okumura, H. (1983), *The corporate capitalism,* Ochanomizu Shobo.

Okumura, H. (1986), *The Japanese corporations,* Toyo Keizai Shinposha.

Uetake, T. (1984), *A theory of forms of business enterprises – a study in the centralisation forms of capital,* Chuokeizaisha.

Uno, K. (1971), *Economic policies,* revised edition, Kobundo.